TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 1708 – HB 1679

April 14, 2014

SUMMARY OF ORIGINAL BILL: Allocates a portion of the state sales tax revenue to a county or an industrial development corporation created by a county that acquires property from the state on or after January 1, 2014, if such property was used by the state as a correctional facility for more than 50 years, equal to the amount of state sales tax revenue derived from sales of all items and services taxed pursuant to the sales tax law on such property beginning with FY14-15. Requires the allocated amount to be applied to pay debt incurred by the county or industrial development corporation to facilitate the development of such property. Exempts any sales tax revenue derived from the tax increases from 5.5 percent to 6.0 percent, effective April 1, 1992, and from 6.0 percent to 7.0 percent, effective July 15, 2002, from allocation requirements under this bill.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – $60,400/FY14-15
$120,900/FY15-16
$181,300/FY16-17
$241,800/FY17-18
$307,300/FY18-19 and Subsequent Years

Increase Local Revenue – $60,400/FY14-15
$120,900/FY15-16
$181,300/FY16-17
$241,800/FY17-18
$307,300/FY18-19 and Subsequent Years

SUMMARY OF AMENDMENT (016616): Deletes all language after the enacting clause. Allocates a portion of state sales tax revenue derived from 5.5 percent of the state sales tax rate on all sales in the commercial development district (CDD), as defined by this bill as amended, and the amount of local option sales tax revenue not dedicated for school purposes pursuant to Tenn. Code Ann. § 67-6-712(a)(1) derived from all sales in such CDD in excess of base tax revenues, to a county, municipality or an industrial development corporation created by a county if certain specified criteria is met and the Department of Finance and Administration (F&A) determines that the CDD is not economically feasible without such tax revenue allocation. Requires the allocated amount to be exclusively used by the county, municipality or industrial development corporation for the purpose of paying the indebtedness, principal and interest, and closing costs incurred by such entities in financing the CDD. Requires the apportionment and distribution of such revenue to continue for a period of 20 years for eligible counties that file an application prior to December 31, 2014, or for a period of up to 20 years, as determined by the Commissioner of F&A, for eligible counties that file an application on or after December 31, 2014. Establishes an application filing deadline of December 31, 2016. Requires the apportionment and distribution of state sales and use taxes to the county, municipality, or industrial development corporation to commence at the beginning of the fiscal year after the certification of the commercial development district.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Forgone State Revenue – Exceeds $120,000/FY15-16
Exceeds $180,000/FY16-17
Exceeds $500,000/Each Year FY17-18 through FY36-37

Increase Local Revenue – Exceeds $120,000/FY15-16
Exceeds $180,000/FY16-17
Exceeds $500,000/Each Year FY17-18 though FY36-37

Other Fiscal Impact – A transfer of local option sales tax funds to the local entity to be used for repayment of debt incurred by such entity in financing a commercial development district estimated to exceed: $23,000 in FY15-16, $34,000 in FY16-17, and $100,000 in each year from FY17-18 through FY36-37.

Assumptions for the bill as amended:

- The proposed apportionment and distribution of sales and use tax revenue shall occur only if F&A determines that the CDC is not economically feasible without such tax revenue allocation. As a result, any fiscal impact to the state is considered forgone revenue.
- It is estimated that one project will meet all required criteria prior to December 31, 2014, and shall benefit from the proposed allocation beginning with FY15-16.
- The number of eligible entities that will apply between December 31, 2014, and December 31, 2016, and that will be approved by the Commissioner of F&A on or before June 30, 2017 is unknown.
- However, based on available information, the amount of state revenue that will be allocated to the local government for all qualified projects is reasonably estimated to exceed: $120,000 in FY15-16, $180,000 in FY16-17, and $500,000 in each year from FY17-18 through FY36-37. Such revenue is considered forgone to the state and an increase to the local government.
- Pursuant to Tenn. Code Ann. § 67-6-712(a)(1), 50 percent of local option sales tax revenue proceeds are to be expended and distributed for school purposes. Pursuant to this bill as amended, the remaining 50 percent shall be transferred to the local entities for repayment of debt incurred by such entities to facilitate the development of the property.

- The amount of local option sales tax revenue that shall be transferred pursuant to this bill as amended is estimated to exceed: $23,000 in FY15-16, $34,000 in FY16-17, and $100,000 in each year from FY17-18 through FY36-37.
- Any increase in expenditures to F&A to fulfill the requirements of this bill as amended is estimated to be not significant and can be accommodated within existing resources of the Department without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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